




JOHN NAIMO  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

November 5, 2014

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: John Naimo   
Auditor-Controller

SUBJECT: **INTERNATIONAL INSTITUTE OF LOS ANGELES – A DEPARTMENT  
OF PUBLIC SOCIAL SERVICES CALWORKS STAGE ONE CHILD  
CARE SERVICES PROGRAM PROVIDER – CONTRACT COMPLIANCE  
REVIEW**

We completed a contract compliance review of International Institute of Los Angeles (IILA or Agency), which covered a sample of transactions from July 2012 through February 2014. The Department of Public Social Services (DPSS) contracts with IILA, a non-profit organization, to operate the CalWORKs Stage One Child Care Services (Stage One) Program, which helps families access immediate, quality, and affordable child care as they move through their Welfare-to-Work activities.

The purpose of our review was to determine whether IILA appropriately accounted for and spent Stage One Program funds to provide the services outlined in their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with their contract and other applicable guidelines.

DPSS paid IILA a fixed monthly fee of \$125, and a negotiated monthly rate of \$160 per participant to fund Stage One Program operating costs. The contract requires the Agency to return or reinvest any unspent revenue. In addition, once a participant chooses a child care provider, IILA develops a rate agreement, and pays the child care provider directly. DPSS reimburses IILA for these costs at the rates specified in the contract. The rates vary based on the needs of the participant. DPSS paid IILA approximately \$866,000 from July 2012 through February 2014. IILA provides services to residents of the First Supervisorial District.

### **Results of Review**

IILA provided services to eligible participants and child care providers, recorded and deposited DPSS payments timely, and Agency staff had the required qualifications. However, the Agency did not always comply with all of their County contract requirements. Specifically, IILA:

- Billed DPSS \$6,733 for unallowable or unsupported expenditures.

*IILA's attached response indicates that they will reallocate all shared expenditures charged to the Stage One Program during Fiscal Years 2012-13 and 2013-14 using allowable methods, provide DPSS with supporting documentation, and repay any overbilled or unsupported amounts.*

- Inappropriately allocated \$963 in payroll costs for four employees who worked on County and non-County programs based on pre-determined rates, instead of actual conditions as required.

*IILA's attached response indicates that they are now allocating payroll costs to the Stage One Program based on actual conditions.*

- Did not have adequate internal controls over the Agency's bank account reconciliations and payroll processes. Specifically, IILA did not ensure bank account reconciliations were reviewed and approved by Agency management and did not require supervisors to approve their employee's timecards.

*IILA's attached response indicates that they have implemented new policies for bank account reconciliations and payroll processes to properly safeguard the Agency's assets.*

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with IILA and DPSS in October 2014. IILA's attached response indicates agreement with our findings and recommendations. DPSS will work with IILA to ensure that our recommendations are implemented.

We thank IILA management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:AA:pn

Attachments

c: William T Fujioka, Chief Executive Officer  
Sheryl L. Spiller, Director, Department of Public Social Services  
Stephen James Holt, Board Chair, IILA  
E. Stephen Voss, President and Chief Executive Officer, IILA  
Public Information Office  
Audit Committee

**INTERNATIONAL INSTITUTE OF LOS ANGELES  
CALWORKS STAGE ONE CHILD CARE SERVICES PROGRAM  
CONTRACT COMPLIANCE REVIEW  
JULY 2012 THROUGH FEBRUARY 2014**

**ELIGIBILITY**

**Objective**

Determine whether International Institute of Los Angeles (IILA or Agency) provided services to individuals who met the CalWORKs Stage One Child Care Services (Stage One) Program eligibility requirements, and whether the child care providers were eligible to provide Stage One Program services.

**Verification**

We reviewed the case files for ten (22%) of the 46 participants who received services, and ten (23%) of the 43 child care providers who provided child care during February 2014 for documentation to confirm the participants' eligibility to receive and the providers' eligibility to provide Stage One Program services.

**Results**

IILA had documentation to support all ten participants' eligibility to receive and all ten providers' eligibility to provide Stage One Program services.

**Recommendation**

**None.**

**PROGRAM SERVICES**

**Objective**

Determine whether IILA provided the services required by their County contract and Stage One Program guidelines, and whether the Program participants and child care providers received the billed services.

**Verification**

We visited IILA's service site and reviewed the case files for ten (22%) of the 46 participants who received services, and ten (23%) of the 43 child care providers who provided child care during February 2014.

**Results**

The case files for the ten participants and ten child care providers reviewed had documentation to support that IILA provided services in accordance with their County contract.

**Recommendation**

None.

**STAFFING QUALIFICATIONS**

**Objective**

Determine whether IILA's staff had the qualifications required by their County contract.

**Verification**

We reviewed the personnel files for five (50%) of the ten IILA employees who worked on the Stage One Program.

**Results**

IILA's five staff reviewed had the qualifications required by their County contract.

**Recommendation**

None.

**CASH/REVENUE**

**Objective**

Determine whether IILA properly recorded revenue in their financial records, deposited cash receipts into their bank account timely, and that bank account reconciliations were reviewed and approved by Agency management.

**Verification**

We interviewed IILA's management, and reviewed their financial records and February 2014 bank reconciliations.

**Results**

IILA properly recorded revenue in their financial records and deposited Department of Public Social Services (DPSS) payments into their bank account timely. However, we

noted weaknesses in IILA's internal controls over their bank account reconciliations. Specifically, IILA did not:

- Adequately separate duties for bank account reconciliations and disbursements as required. Specifically, the Vice President of Finance prepared and reviewed the general fund and payroll bank account reconciliations and is an authorized and active check signer for each of the Agency's bank accounts used for the Stage One Program.
- Resolve outstanding items on their bank account reconciliations timely. Specifically, we noted 31 items, totaling \$13,314, that had been outstanding for an average of 16 months. As of June 2014, the Agency had not resolved the outstanding items. In addition, Agency management indicated that they did not have an internal policy for resolving outstanding items on their bank account reconciliations.

### **Recommendations**

**International Institute of Los Angeles management:**

- 1. Establish adequate separation of duties for bank account reconciliations and disbursements.**
- 2. Ensure bank account reconciliations are reviewed and approved by Agency management.**
- 3. Develop internal control policies to ensure outstanding items on their bank account reconciliations are resolved in a timely manner.**

### **EXPENDITURES/COST ALLOCATION PLAN**

#### **Objective**

Determine whether expenditures charged to the Stage One Program were allowable under their County contract, properly documented, and accurately billed. In addition, determine whether the Agency prepared their Cost Allocation Plan (Plan) in compliance with their County contract, and used the Plan to allocate shared expenditures appropriately.

#### **Verification**

We interviewed IILA's personnel, and reviewed their Plan, and financial records for 25 non-payroll expenditures, totaling \$12,181, that the Agency charged to the Stage One Program from October 2012 through February 2014.

**Results**

IILA did not prepare their Plan in compliance with their County contract. Specifically, the Plan did not specify the methods used to allocate shared expenditures. In addition, IILA inappropriately charged \$6,733 (55%) of the \$12,181 in non-payroll expenditures reviewed to the Stage One Program. Specifically, IILA:

- Inappropriately allocated \$6,533 to the Stage One Program for shared expenditures based on unallowable or unsupported methods.
- Billed the Stage One Program \$200 in printing expenditures that the Agency indicated were billed in error.

**Recommendations**

**International Institute of Los Angeles management:**

4. **Reallocate all shared expenditures charged to the Stage One Program during Fiscal Years 2012-13 and 2013-14, provide the Department of Public Social Services with supporting documentation, and repay any overbilled or unsupported amounts.**
5. **Ensure that all shared expenditures charged to the Stage One Program are allowable, properly documented, and accurately billed.**
6. **Develop a Cost Allocation Plan that complies with their County contract.**
7. **Repay the Department of Public Social Services \$200.**

**PAYROLL AND PERSONNEL****Objective**

Determine whether IILA charged payroll costs to the Stage One Program appropriately, and maintained personnel files as required.

**Verification**

We traced the payroll costs for five employees, totaling \$1,788 for February 2014, to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for five IILA Stage One Program staff.

**Results**

IILA maintained personnel files as required. However, IILA inappropriately allocated \$963 (54%) of the \$1,788 in payroll costs reviewed to the Stage One Program.

Specifically, IILA inappropriately allocated payroll costs for four of the five employees who worked on County and non-County Programs based on pre-determined rates, instead of actual conditions as required.

In addition, we noted significant weaknesses in IILA's controls over payroll processing. Specifically, IILA does not require supervisors to approve the employee's timecards to certify the accuracy of the reported time charged to the Stage One Program.

### **Recommendations**

**Refer to Recommendations 4 and 5.**

- 8. International Institute of Los Angeles management develop procedures to ensure all Stage One Program employees' timecards are approved by an appropriate supervisor.**

### **CLOSE-OUT REVIEW**

#### **Objective**

Determine whether IILA had any unspent revenue for the Stage One Program for Fiscal Year (FY) 2012-13.

#### **Verification**

We traced the total revenues and expenditures from IILA's FY 2012-13 close-out report to the Agency's accounting records, and to DPSS' payment records.

#### **Results**

IILA's close-out report indicated that they did not have any unspent revenue for FY 2012-13. However, IILA needs to revise their accounting records based on our recommendations above, provide DPSS with a revised close-out report for FY 2012-13, and work with DPSS to return or reinvest any unspent revenue.

#### **Recommendation**

- 9. International Institute of Los Angeles management revise their accounting records based on our recommendations above, provide the Department of Public Social Services with a revised close-out report for Fiscal Year 2012-13, and work with the Department of Public Social Services to return or reinvest any unspent revenue.**





International Institute  
of Los Angeles

*Serving the community since 1914*

E. Stephen Voss, President and CEO

3845 Selig Place

Los Angeles, CA 90031-3143

TEL (323) 224-3800 FAX (323) 224-3810

info@iilosangeles.org

www.iilosangeles.org

John Naimo  
Acting Auditor-Controller  
County of Los Angeles  
Department of Auditor-Controller  
Countrywide Contract Monitoring Division  
350 South Figueroa Street, 8<sup>th</sup> Floor  
Los Angeles, CA 90071

Dear Mr. Naimo:

**International Institute of Los Angeles corrective action plan– Stage 1 Contract Compliance Review**

1. Establish adequate separation of duties for bank account reconciliation & disbursements –  
**Corrective action:**  
Starting with the May, 2014 bank reconciliation – senior accountant, Aili Chou, was assigned to prepare the bank reconciliation.
2. Ensure bank account reconciliations are reviewed and approved by Agency Management –  
**Corrective action:**  
Starting with the May, 2014 bank reconciliation - the V.P. of Finance, Sandra Rosas reviews and approves the bank reconciliation.
3. Developed internal control policies to ensure outstanding items on their bank account reconciliation are resolved in a timely matter.  
**Corrective action:**  
The policy is now: checks that are outstanding over 365 days are considered stale, the check is going to be voided and funds returned to the program originally charged. IILA's checks on their face states "void after 365 days".
4. Reallocate all shared expenditures charged to the Stage one program during FY2012-2013 and 2013-2014 provide the Department of Public Social Services with supporting documentation, and repay any overbilled or unsupported amounts.  
**Corrective action:**  
IILA will review all shared expenditures charged to the Stage One program for FY2012-2013 and 2013-2014 and will provide Department of Public Social Services with supporting documentation and will include payment for overbilled or unsupported amounts by December 1, 2014.
5. Ensure that all shared expenditures charged to the Stage One Program are allowable, properly documented, and accurately billed.

**Corrective action:**

The accounting department – has reviewed the basis for allocating shared cost and changes made were necessary. The monthly charges are reviewed by the Senior Accountant in charge of the Stage One program and the V.P. Of Finance to ensure that the charges made to the Stage One program complied with the County contract.

6. Develop a Plan that complies with the County contract.

**Corrective action:**

The Senior accountant and V.P. of Finance review the monthly charges made to the Stage One program to ensure that the charges comply with the County Contract

7. Repay the Department of Public Social Services \$200.

**Corrective action:**

IILA will send a check for \$200 to DPPS for the \$200 in printing expenses charged in error to Stage One.

8. International Institute of Los Angeles management develop procedures to ensure all Stage One program employees' timecard are approved by an appropriate supervisor.

**Corrective action:**

IILA – has had in place the process thru ADP of timecard electronic approval by supervisor of employee's timecards.

**Corrective action:**

Timecards are printed from ADP for each Stage One employee, the employee reviews signs and dates the timecard, the supervisor reviews signs and date the timecard.

For those employees that work in Stage One and their allocation is not based on number of cases, as of 7/1/2014 they are required to keep a detailed timecard and their time will be charged to Stage One accordingly.

9. International Institute of Los Angeles management revise their accounting records based on our recommendations above, provide the Department of Public Social Services with a revised close-out report for Fiscal Year 2012-2013, and work with the Department of Public Services to return or reinvest any unspent revenue.

**Corrective action:**

IILA as in #4 above will review the shared expenditures charged to the Stage One program for FY2012-2013 and will provide DPSS with a revised close-out for FY2012-2013 by December 1, 2014

If you need additional information please let me know.

Sincerely,



Sandra Rosas, CPA  
Vice President of Finance  
International Institute of Los Angeles  
3845 Selig Place  
Los Angeles, CA 90031  
Email:srosas@iilosangeles.org